4th Quarterly Report

Progress on Year 2000 Conversion

U.S. Office of Management and Budget

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This report is the fourth in a series of quarterly summary reports to the Congress on Federal progress in fixing the year 2000 computer problem (Y2K) in Federal systems. It outlines the continuing work of the Administration to avert the problems that could occur if systems are not able to correctly process the year 2000. The report summarizes information received from the 24 largest Federal agencies, and describes the status of government-wide activities underway. OMB sends these reports to the Congress on or before the 15th of March, June, September, and December. This report and all previous reports are available on the Federal Chief Information Officers' home page (www.fed.cio.gov). (A list of key Federal Y2K web sites may be found on page 14 of this report.)

The Administration has taken several significant steps during the last reporting quarter. Most notably, on February 4, 1998, the President issued Executive Order 13073, "Year 2000 Conversion," creating the President's Council on Year 2000 Conversion. The Order also directs agencies to "assure that no critical Federal program experiences disruption because of the Y2K problem," and requires a quarterly report to the President from the Chair of the Council and the Director of the Office of Management and Budget. The Council is chaired by John Koskinen, who reports directly to the President. Sally Katzen, Deputy Director of the National Economic Council, serves as Vice Chair. OMB will continue to oversee Federal systems and will support the Council's broader role to improve the Federal government's coordination with the private sector and other governments at all levels.

On January 20, 1998, OMB issued new guidance to Federal agencies establishing accelerated schedules for the completion of Y2K work and revising the reporting requirements upon which this summary report are based. (See OMB Memorandum 98-02, "Progress Reports on Fixing Year 2000 Difficulties.") Based on that guidance, agencies are now working to have all of their mission-critical systems Y2K-compliant by March 1999. In addition, they are working actively with those with whom they exchange data, having been tasked to enter a dialogue with each data exchange partner by March 1, 1998.

OMB's initial Y2K report, entitled "Getting Federal Computers Ready for 2000," was transmitted February 6, 1997. The report outlined the Federal government's strategy to address the Y2K problem in its systems, one that remains predicated on agency accountability. To assist in that effort, OMB has required agencies to report quarterly on their progress on the fifteenth of February, May, August, and November. This report summarizes the agencies' progress based on the agency reports sent to OMB on February 15, 1998 and describes other actions being taken to assure success. It responds to requests for information contained in House Report 105-240 and Senate Report 105-49.

The Federal government's strategy is based on the five phases of the best practices for addressing the problem: awareness, assessment, renovation, validation, and implementation. Working with the Chief Information Officers (CIO) Council, OMB has set government-wide milestones for the completion of work in each of the phases. Agencies have established plans to complete the work in each phase. The five phases overlap -- for example, validation of some systems can be begin while renovation of others continues.

In addition to directing the renovation of agency systems, OMB has asked all agencies to raise awareness with their regulated and constituent communities. In response, the Small Business Administration (SBA) has established a web site (www.sba.gov/y2k) containing information useful for small businesses, including information on how a small business can ensure that it is prepared for the

year 2000. This information is also available through SBA's network of assistance centers. The Department of Education is working with colleges and universities to ensure preparedness, and the Department of Transportation is working with the airline and maritime industries. Other agencies are taking similar actions.

On March 10, 1998, OMB asked 31 independent agencies not included in this report to report on their progress in fixing the Y2K problem. OMB will include a summary of those responses in the next quarterly report to the Congress.

Results in Brief

Overall, the Federal government continues to make progress in addressing the Y2K problem. Virtually all agencies have accelerated their target dates to conform to the new government-wide goals of September 1998 for completion of renovation and March 1999 for implementation. The percentage of mission-critical systems that are compliant has increased from 27 percent in November's report to 35 percent in this report. However, while good progress is being made, it is not rapid enough overall. The establishment of the Year 2000 Council is, in part, intended to accelerate agency efforts to address this problem.

While all agencies are continuing to show progress, several agencies remain behind. Of the seven agencies categorized in the previous report as making insufficient progress (Tier 1), five remain on that list (Department of Education, Department of Energy, Department of Health and Human Services, Department of Transportation, and the U.S. Agency for International Development), while two (the Office of Personnel Management and the Department of Agriculture) have been taken off this list and added to the group of agencies for which there is progress, but concerns (Tier 2). One agency (Department of Labor) has been added to the list of agencies making insufficient progress, bringing the total number of Tier 1 agencies to six.

Of the nine agencies categorized in the previous report as those for which there was progress, but concerns (Tier 2), three agencies (the Department of Veterans Affairs, the Department of the Interior, and the National Aeronautics and Space Administration) now appear to be making satisfactory progress (Tier 3). There is some concern with the recent progress of the Departments of State and of Housing and Urban Development, and they are now included in Tier 2. With the addition of USDA and OPM, the total number of Tier 2 agencies is nine. The total number of Tier 3 agencies is also nine. Five agencies reported specific systems where implementation had not been accelerated to meet the March 1999 goal.

As predicted, the estimates of total costs for FY 1996 through FY 2000 continue to increase, from $3.9 billion estimated in November to $4.7 billion in this report. This reflects increasingly accurate cost projections as renovation and testing work proceeds and as the costs for renovation of non-information technology systems due to embedded micro-processors are better known. All these costs have been appropriated, are requested, or are financed through other mechanisms such as working capital funds. Significant funding is requested in the FY 1999 President's Budget. OMB will work closely with the Appropriations Committees to ensure adequate funding is provided for these purposes.

Government-wide Progress

This summary report shows that:

- Agencies have identified 7,850 mission-critical systems.

- Of those mission-critical systems: 2,716 (35 percent) are now year 2000 compliant; 3,539 (45 percent) are still being repaired; 1,147 (14.6 percent) are still being replaced; and 362 (4.6 percent) will be retired.

- Virtually all agencies have adopted accelerated schedules for the completion of their Y2K work, and only a small number of mission-critical systems are not already scheduled to be fixed by March 31, 1999.

- The agencies have completed the assessment of 99 percent of their mission-critical systems.

  - All agencies are progressing on the renovation of their systems, and many have made significant progress in validating and implementing fixes.

- Agencies now estimate they will spend $4.7 billion fixing the problem.

This report includes four tables that array and summarize information provided by the agencies:

Table 1, "Progress and Plans for Year 2000 Compliance of Mission-critical Systems," provides the agencies' schedules for completing the four remaining phases of the government-wide best practices. It shows that 23 of the 24 agencies have accelerated their schedules to complete implementation of their mission-critical systems by or before the new government-wide target date of March 31, 1999. AID has not adopted the goals pending an evaluation of options for addressing recently found difficulties in its New Management System.

Table 2, "Mission-critical Systems," provides a snapshot of the size of the Y2K problem and the results of the "repair, replace, or retire" decision. Agencies now identify 7,850 mission-critical systems, which is less than the 8,589 identified in the November report. This change occurred because senior management in several agencies refined their lists of mission-critical systems.

Table 2 also shows that 35 percent of agency mission-critical systems are now Y2K compliant (compared to 27 percent reported in November), and that agencies are repairing 45 percent; replacing 14.6 percent, and retiring 4.6 percent.

Table 3, "Mission-critical Systems Being Repaired," shows that, as a weighted percentage, the government is 99 percent complete with its assessment and 45 percent complete with renovation of the mission-critical systems to be repaired. In November, the figures were 95 percent and 34 percent, respectively.

Table 4, "Year 2000 Cost Estimates," shows the estimated costs for fixing the problem by agency. Agencies now estimate it will cost $4.7 billion to fix the Y2K problem, which is $800 million more than the $3.9 billion estimated in November. This total includes estimated expenditures of $2.4 billion in FY 1998 and $1.1 billion in FY 1999.

The estimates cover the costs of identifying necessary changes, evaluating the cost effectiveness of making those changes (fix or scrap decisions), making changes, testing systems, and preparing contingencies for failure recovery. They do not include the costs of upgrades or replacements that would otherwise occur as part of the normal systems life cycle. They also do not include the Federal share of the costs for state information systems that support Federal programs. The estimates provided by agencies will continue to change as work progresses.

Evaluation

Overall, the Federal government continues to make progress in addressing the Y2K problem. The percentage of mission-critical systems that are compliant has increased from 27 percent in November's report to 35 percent in this report. However, as the summary tables show, the majority of the work remains to be done. As of February, 59 percent of the 7,850 agency mission-critical systems are still to be repaired or replaced. Hence, while good progress has been made, it is not rapid enough overall. Where specific agencies are not showing sufficient progress, OMB will continue to increase its oversight of their activities. (See the agency-specific discussion below.)

As expected, the estimate of the government-wide cost for FY 1996 through FY 2000 ($4.7 billion) is higher than the $3.9 billion estimated in the November report. The primary sources of the increase are the Departments of Defense ($522 million), and Treasury ($248 million). OMB expects that future quarterly reports will continue to refine cost estimates as agencies gain more experience about how much it costs to renovate their systems.

Government-wide Issues

Accelerated Goals

In January, OMB and the CIO Council set accelerated government-wide goals for the completion of renovation, validation, and implementation. Completion of renovation has been moved up from December 1998 to September 1998, and completion of implementation has been moved up from November 1999 to March 1999. The dates were accelerated for three reasons. First, the original government-wide goals did not provide much room for slippage. Second, agencies must have sufficient time to run fully implemented systems in a production environment. Third, the accelerated dates help to assure that systems will operate smoothly from end to end, including data exchanges with the private sector, State and local governments, and foreign entities.

Five agencies, the Departments of Defense, Energy, Transportation, Treasury and State and the Agency for International Development, report they have systems that will not be implemented by March 31, 1999, along with the steps they are taking to develop contingency plans. This list of systems is included at the end of the report.

Non-mission-critical systems

For the first time, OMB asked agencies to report on their progress in fixing non-mission-critical systems. By definition, such systems are less critical to the functioning of the agencies, but some are still quite important. All of the agencies reported they have an active program to fix these systems, albeit as a lower priority than fixing their mission-critical systems. A number reported that they are managing a subset of these systems as more mission "important" than the others. As evidence of their activity, a few provided statistics on the number of such systems and the status of activities to fix them.

Independent Verification

All agencies report that they have active independent verification programs underway to assure that systems are actually fixed. Most have involved their Inspectors General to assist in this effort, either directly verifying that systems have been fixed, assisting in the selection process for contractor assistance to provide technical verification assistance, or both. A number of agencies are currently in the process of hiring contractors to assist with this effort.

Additional verification is paying-off. Some agencies are finding that mission-critical systems thought to be compliant are, in fact, not. Fortunately, they still have time to either fix the systems in question or take other measures to assure the viability of the program that is dependent upon the problem system. Even where no specific problem is uncovered, agencies are finding that the additional expense of such verification is worthwhile, because it provides additional assurance to senior management that their critical systems are less likely to have problems with the date change-over.

Planning for Contingencies

All agencies report that they have contingency planning mechanisms in place. Many report that they are already developing contingency plans for selected mission-critical systems. OMB requires agencies to provide a summary of their contingency plans for mission-critical systems in two instances: (1) where a system is reported behind schedule in two consecutive quarterly reports, or (2) where a system cannot be fully implemented by the new government-wide goal of March 1999.

While OMB requires agencies to report only in these two instances, that does not mean that contingency plans should only be developed in those instances. To the contrary, contingency plans should be developed for all core business functions where Y2K work has been or is being done. There will inevitably be some problems in the fixed systems. No matter how well tested they are, most actual Y2K fixes made to systems will not be operational until the date change occurs. Therefore, even for systems implemented early, there is some risk of failure. Where such a failure would have a significant effect on the agency, a contingency plan should be in place.

As noted in the last quarterly report, OMB tasked the CIO Council to develop government-wide best practices for contingency planning. The Council is working with the General Accounting Office, which has developed an exposure draft of contingency planning practices. The Council intends to adopt the GAO guide for Federal agency use when it is completed.

Data Exchanges with States and Other Partners

Federal agencies exchange data with each other and with foreign, State, and local governments and with private entities. Of particular importance are data exchanges with the States, because States operate many important Federal programs. To help assure that these exchanges are Y2K compliant, the CIO Council has established a working group specifically to focus on the exchanges between the Federal government and State governments. That group has established points of contact for the States in each Federal agency, which are identified on the Federal year 2000 web site (www.itpolicy.gsa.gov/mks/yr2000/y2khome.htm).

Building on the State-Federal summit held in October 1997, representatives from the CIO Council and the National Association of State Information Resource Executives have jointly established a Policy Committee and a Technical Committee to facilitate the coordination between Federal agencies and the States in fixing the Y2K problem in data exchanges.

Based on advice from these groups, OMB and the CIO Council set targets of February 1, 1998, for agencies to have inventoried their data exchanges with States, and March 1, 1998, for beginning discussions with the States regarding both the format of their data exchanges and the timing of Y2K compliant data exchanges. This same schedule is being used for all other data exchanges.

Of the 24 agencies, 19 have completed their inventories of data exchanges and indicated that communication with outside parties either was complete or would be by March 1, 1998. OMB is following-up with the five agencies that did not indicate they would be complete (the Departments of Defense, Energy, Health and Human Services, Justice, and Transportation) to assure that they will

complete the discussions soon.

Senior Administration officials have also been working with representatives from the National Governors' Association, the National League of Cities, the National Association of Counties, the International City/County Management Association, the U.S. Conference of Mayors, the National Conference of State Legislatures, the Council of State Governments, and Public Technology, Inc., to raise awareness and improve communications with State and local policy officials.

Buying Compliant Commercial Products

In December, the CIO Council established a data base (http://y2k.policyworks.gov) which contains information on the Y2K compliance of commercial information technology products. The data base includes manufacturers' statements of compliance, and, where a product is not compliant, the manufacturers' projected date for when a compliant version will be available. This information is publicly available. The data base also contains the results of Federal agency tests of products for compliance. This information is available only to Federal agencies. The data base is facilitating the sharing of important information about compliant commercial products among the agencies.

Other Government-wide Systems

OMB has identified and is working on three government-wide areas where the Y2K problem occurs in other than computer systems: telecommunications, bio-medical devices and laboratory equipment, and buildings. In these areas, the problem occurs in commercial products that rely on computers or have computer chips inside them, and need to be fixed by the manufacturers of those products. OMB has established interagency Working Groups, each chaired by a key program agency, to raise awareness and to work with manufacturers to assure that products are fixed. Each group is contacting vendors on behalf of the entire Federal government, performing tests to verify compliance, and sharing information through electronic data bases.

The Telecommunications Working Group is chaired by GSA. It maintains a database of the latest information about the compliance of telecommunications products and services that is accessible to the Federal community (http://y2k.fts.gsa.gov). The Federal government relies on private sector telecommunications service providers. These service providers are dependent on the manufacturers of telecommunications equipment to provide Y2K compliant software in a timely manner. The national communication infrastructure is dependent on these private sector actions.

The Buildings Working Group is also chaired by GSA. It maintains a database of Y2K compliance information for building systems such as elevators, HVAC controls, alarms, and security systems (http://globe.lmi.org/lmi_pbs/y2kproducts). The Buildings Working Group has also developed recommended contract language for new and existing lease contracts that make the lessor responsible for ensuring that its building systems are Y2K compliant. The working group has also sent letters to lessors of buildings used by the Federal government, informing them of the government's expectations. A number have already responded, however some have not. The group is currently exploring ways to

assure responses and may ask for Congressional assistance.

The Biomedical Working Group is chaired by the Department of Health and Human Services. On January 20, 1998, the Deputy Secretary of the Department asked the 15,000 manufacturers of biomedical devices and hospital laboratory equipment to verify the compliance of their products. This information will be posted to a publicly accessible web site beginning in March 1998. The Biomedical Working Group is developing other strategies to assist the health care sector in preparing for the year 2000.

Agency-Specific Progress

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<u>Agency Evaluation</u>

While many agencies appear to be making good progress in addressing this problem, some are not. As part of monitoring agency progress, OMB has categorized agencies into one of three tiers based on the sufficiency of the evidence of adequate progress in their reports.

In evaluating agency progress, OMB used the same criteria as in previous reports (assessment, measurable improvement, schedule, and dramatic changes) and added a fifth, risk management. The criteria are:

- Status of agency assessment -- Has the agency completed its assessments and its inventory of data exchanges with outside entities?

- Measurable improvement from previous reports -- Is there measurable and adequate progress on renovation, validation, and implementation?

- Schedule for completion of the phases of best practices and overall prognosis -- Has the agency adopted the government-wide goals? Is the schedule realistic? Will the agency have contacted all organizations with which it exchanges data containing the year by March 1, 1998?

  - Risk management -- Does the agency have a workable approach to contingency and independent validation and verification program?

- Dramatic changes in previously reported information or other indications of concern -- Have there been dramatic changes in cost, schedule, or changes to the number of systems? Are there any concerns with the availability of key personnel?

Tier One comprises agencies where there is insufficient evidence of adequate progress. The six agencies in the first tier are: the Departments of Education, Energy, Health and Human Services, Labor, and Transportation, and the U.S. Agency for International Development.

Education. The Department of Education has continued to make progress in addressing its Y2K problem. It has significantly increased staff resources committed to this task. The Deputy Secretary is providing strong leadership and is personally tracking progress. The Department has established a schedule for its Y2K work, developed a detailed plan for fixing its mission-critical systems, begun renovation and has hired a consultant to assist with key project management and technical tasks. Recently, the Department expanded an existing contract to obtain independent verification and validation services. The Department has undertaken an extensive outreach effort to communicate with the entire Education community, beyond those customers that are data exchange partners, on the Y2K problem. However, the Department remains behind most other Federal agencies in becoming Y2K compliant, having completed renovation on 14 percent of the mission-critical systems being repaired, and not having completed validation or implementation of any.

Energy. The Department has identified all mission-critical systems at its government and contractor sites. The assessment of whether those mission-critical systems need to be repaired or replaced to become Y2K compliant is incomplete at several contractor sites. Senior management at the Department has refined the list of mission-critical systems and determined that over 80 of the previously reported 468 systems that are not truly mission-critical. Renovation is up from 13 percent in the February report to 19 percent complete, and progress in the other phases is also improved. However, DOE remains well behind the governmentwide average. In response to concerns identified in the November report, the Department required all program officials to certify to the CIO that adequate progress was being made in achieving Y2K compliance prior to receiving IT funds. All but one program official has provided this certification and IT funds remain unavailable to that program. In its February report, the Department provided to OMB a detailed breakout of progress at each site. The Department will complete a survey of all sites regarding data exchanges by April 15, 1998, and will include this information in its next report. Independent compliance reviews of Departmental sites have been initiated and will provide assurance that goals will be accomplished as projected.

Health and Human Services. The Department of Health and Human Services (HHS) as a whole is making progress. However, some operating divisions have missed recent deadlines. Inventories of external data exchanges, and initial contacts with managers of those external systems, have not been completed by three operating divisions -- including the Health Care Financing Administration (HCFA). HCFA has also still not completed its assessment of external contractor systems, such as Medicare fiscal intermediaries and carriers that process Medicare claims. About 75 percent of these external contractors have completed their Y2K assessments and it is critical that HCFA complete these assessments. However, HHS and HCFA have limited ability under current law to influence these contractors. In support of the President's FY 1999 Budget, the Administration has submitted a draft bill to Congress on February 2, 1998 that, among other things, improves the HHS Secretary's flexibility in negotiating with its Medicare contractors. In addition, HCFA is performing on-site visits to every Medicare contractor, the HCFA Chief Information Officer now reports directly to the HCFA Administrator, and HCFA has hired an independent verification and validation contractor to examine all aspects of the Y2K project. It is critical that HCFA develop detailed contingency plans to ensure the continuity of operations of all Federal health programs into the next millennium, and that HCFA continue closely tracking progress.

Labor. The Department has not made sufficient progress in renovating, validating or implementing repairs to its mission-critical systems. However, the Secretary is now personally involved and has begun to accelerate the Department's work. For example, schedules for repair and replacement of all mission-critical systems have been revised so that the systems will be fully implemented by March 31, 1999. In addition, the Department has identified all of its data exchanges and is working with the affected organizations to assure there will be no Y2K problem in those exchanges. It will be critical for the Department to follow-up its excellent start on data exchanges with State unemployment insurance programs to ensure follow-through to completion of the implementation phase.

Transportation. Overall, the Department of Transportation continues to make progress at a slow rate. With 9.7 percent of its mission-critical systems validated, and 5.7 percent implemented, the Department lags well behind the government-wide average, and its assessments had not been completed as of the February reporting date. The Federal Aviation Administration (FAA) continues to be at significant risk of system failure. Although FAA has completed its assessments, it identified 101 additional mission-critical systems since the last reporting period. Considering its slow progress, the FAA needs to give significantly greater attention to contingency planning. It also needs to: determinepriorities for system conversion and replacement based on systems' mission-criticality; develop plans for validating and testing all converted or replaced systems; and craft realistic contingency plans for all business lines to ensure the continuity of critical operations. Of particular concern is the FAA's Host Computer System, which is the backbone of en route air traffic control centers. The FAA is continuing its assessment of the system's micro-code with the intention of resolving and testing any identified date issues, while at the same time purchasing and implementing new hardware before January 1, 2000. The costs and relative risks of this dual strategy have yet to be clearly determined.

Agency for International Development. While they remain behind other agencies, USAID's corrective actions for addressing the Y2K problem are beginning to work. One of those actions was to perform an independent validation of its New Management System (NMS), a suite of mission-critical applications that support key administrative functions within AID. That review found substantial problems with NMS system, and AID is analyzing its options for repairing or replacing that system. For other systems, AID has accelerated its schedule to assure that it completes work on its mission-critical systems by the new government- wide goal of March 1999. AID remains a concern, however, pending resolution of the NMS problem and demonstrated progress against its new schedule.

Other Agencies

For agencies in the second tier, OMB sees evidence of progress, but also has concerns. Many agencies have strong Y2K programs and OMB expects them to continue to improve. The nine agencies in the second tier are: Agriculture, Commerce, Defense, Housing and Urban Development, Justice, State, Treasury, FEMA, and Office of Personnel Management. A summary of progress and concerns for these agencies appears below.

Agency	Progress	Concerns
Agriculture	Strong management team; appear to be making good progress on a variety of applications; renovation, validation, and implementation of systems appears to be making progress.	Large number of external data exchanges wil worked out with State governments; embedd facilities, and telecommunications issues are resolved.
Commerce	The Department reports that 63% of its mission-critical systems are compliant. The Department is hiring a CIO who will serve as a centralized manager on these issues. Data exchanges have been inventoried and are being assessed for Y2K compliance.	Census and PTO are making unsatisfactory p regard to renovation, validation and impleme Department needs to focus greater attention o level progress.
Defense	Continued progress in renovating mission-critical systems.	Tight schedule for meeting massive Y2K cha
HUD	Strong program with some improvement in the number of systems validated and implemented.	Need greater progress in renovating mission-systems. The Department needs to hire a CIO
Justice	Positive results being produced by the Justice Inspector General and the newly enlisted independent verification and validation contractor.	Pace of renovation must improve to meet De milestones.
OPM	Senior management involvement has accelerated progress in fixing mission-critical systems.	Contingency planning needs improvement.
State	Strong senior management involvement. Adequate budget resources. Has detailed plan and inventories in place.	Needs a stronger process to verify complianc and future renovations. No significant progre over last quarter. Will not have replacement s deployed at all sites by March 1999.
Treasury	Overall, appears to be on schedule. Increased management oversight; significant progress on renovation phase. Good progress made in IRS and Customs.	Progress in individual bureaus continues to b Need greater progress in FMS and Mint.

| FEMA | Awaiting vendor products to complete renovation of systems. | Little progress in renovation since previous r contingency planning. |

The remaining nine agencies -- the Departments of the Interior and Veterans Affairs, and EPA, GSA, NASA, NSF, NRC, SBA, and SSA -- appear to be making satisfactory progress.

OMB Oversight of Specific Agencies

In developing the President's FY 1999 budget, a substantial effort was made to assure that agencies included adequate resources to remedy the Y2K problem. In many instances, priorities were shifted within agencies to ensure that the year 2000 is the top information technology priority. In several agencies, FY 1999 funding for non-Y2K-related information technology investments will be contingent upon agency progress on the Y2K problem. In FY 1998, the information technology funds of several agencies are being apportioned to assure that sufficient funds are available for fixing the Y2K problem.

In addition, OMB senior officials conduct regular meetings with the senior officials from the agencies. OMB will continue to monitor agency progress and use appropriate budgetary and management tools to assure progress.

Exception Reports

Agencies are required to report on any mission-critical systems for which Y2K efforts have fallen more than two months behind schedule. In addition, agencies are required to report on any system that will not meet the March 1999 target for completion of implementation. The following agencies report specific systems that will miss that schedule:

Energy. Although the Department adopted March 1999 as its goal for implementation of systems, the Department also indicated that eight of its mission-critical systems are scheduled for implementation after this date. Two systems are at Sandia Labs and will be compliant by October 1, 1999. Contingency plans for these systems will be in place by June 1998. The remaining six systems are at the Savannah River Operations Office; the Department has indicated that the justifications provided by this Office for the delay are unacceptable and that it will impose funding restrictions on this office, unless an acceptable justification is provided. Contingency plans for these systems will be in place in March 1998.

Defense. The Department of Defense reported that it would provide information on systems scheduled

for implementation after March 1999 in its next report.

Health and Human Services. The Organ Procurement Transplantation Network is operated by law and under a contract with a private, non-profit entity, the United Network for Organ Sharing (UNOS). Due to the nature of the law and the contract, UNOS is solely responsible for the network's software and hardware. HHS is working with UNOS to make sure that Y2K remediation succeeds. The National Organ Transplant System is scheduled to be implemented in July 1999, following six months of end-user testing. A contingency plan will be in place in March 1998. The Department of Health and Human Services reports that the Health Care Financing Administration's (HCFA) Medicare contractor systems continue to be of great concern. All are scheduled to be compliant by December 31, 1998, even though HCFA has not yet completed an assessment of all of its contractor systems. In addition, because of the constraints imposed on HCFA in negotiating contracts for Medicare contractors, HCFA and the Department are not yet confident in full implementation of compliant systems by March 1999 -- underscoring the importance of the Administration's legislative proposal, and the development of adequate contingency plans in this area.

Labor. Two of the systems at the Occupational Safety and Health Administration (OSHA) have recently fallen behind schedule by more than two months. These systems are: (1) the OSHA Property Management Inventory System, which was originally scheduled for completion by November 1997 and has been rescheduled for implementation in March 1998; and (2) the Integrated Management Information System, which was originally scheduled for completion by December 1998 and is now scheduled for completion in March 1999.

Transportation. Seven mission-critical systems have not completely satisfied all of the CIO's performance criteria for successful completion of the assessment phase: Department Accounting and Financial Information System (DAFIS); Bureau of Transportation Statistics' (BTS) Airline Statistics System; Maritime Administration's Ready Reserve Fleet (RRF) System; and the Transportation Administrative Service Center's (TASC) Electronic Mail System, Telephone Switch, Transportation Computer Center Mainframe, and the Intermodal Data Network. Assessments of DAFIS and RRF are expected to completed in March 1998. The Office of the CIO will work with BTS and the TASC to determine when performance measurement criteria for their assessment activities will be satisfied.

Treasury. The Government On-Line Accounting Link System (GOALS) at the Financial Management Service is comprised of 18 application subsystems that collect, edit and telecommunicate data. GOALS-II was initiated in September 1995 to replace GOALS-I. The target date for implementing two of the 18 subsystems (FMS 2108 and FACTS I) in GOALS-II is June 1999, although the Department is continuing its efforts to move that date earlier. Renovation of GOALS-I is the planned Y2K compliance strategy; implementation of the GOALS-II replacement systems is the contingency plan.

Agriculture. The system for processing the Census of Agriculture is not Y2K compliant and will not be ready by the March 1999 deadline. However, the Census of Agriculture is carried out once very five years, and the current system will be replaced by the time that the next Census of Agriculture is conducted, beginning in 2001.

State. The State Department will have all of its systems implemented and operationally deployed in one

or more representative sites, but not all sites, by March 1999.

Agency for International Development. For the New Management System, completion of renovation is scheduled for June 1999, validation for August 1999, and Implementation for September 1999. All other mission-critical systems are projected to complete renovation by September 1998, validation by February 1999, and implementation by March 1999.

NASA. NASA will fully renovate all but one mission-critical system (McMurdo Ground Station) by September 1998. This ground station is located in a remote location in Antarctica and is accessible only between October and February. While this system will be implemented by March 1999, NASA reported it because renovation will not be complete until December 1998.

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Key Federal Year 2000 Web Sites

CIO Council	www.itpolicy.gsa.gov/mks/yr2000/y2khome.htm
Small Businesses	www.sba.gov/y2k
Commercial Products	http://y2k.policyworks.gov/
Telecommunications Equipment	http://y2k.fts.gsa.gov/
Building System Components	http://globe.lmi.org/lmi_pbs/y2kproducts/

Progress and Plans for Year 2000 Compliance of Mission Critical Systems			
	Assessment Date	Renovation Date	Validation
Gov't-wide Goal	**Jun-97**	**Sep-98**	**Ja**

Agriculture	Nov-97	Sep-98	Ja
Commerce	Mar-97	Sep-98	Ja
Defense*	Dec-97	Sep-98	Ja
Education	Nov-97	Sep-98	Ja
Energy	Jan-97	Sep-98	Fe
HHS*	Jun-97	Sep-98	De
HUD	Jun-97	Sep-98	Ja
Interior	Mar-97	Sep-98	Ja
Justice*[1]	Jun-97	Jul-98	O
Labor	Jun-97	Sep-98	Ja
State	Jun-97	Sep-98	Ja
Transportation*[2]	Dec-97	Sep-98	Ja
Treasury*	Jul-97	Oct-98	De
VA	Jan-98	Sep-98	Ja
AID	Nov-97	Jun-99	Au
EPA	Jun-97	Sep-98	Ja

FEMA	Jun-97	Sep-98	Ja
GSA	Jun-97	Jul-98	Se
NASA	Aug-97	Sep-98	Ja
NSF	Jun-97	Sep-98	Ja
NRC	Sep-97	Sep-98	Ja
OPM	Jun-97	Sep-98	No
SBA	May-97	Aug-98	Se
SSA	May-96	Sep-98	De

NOTES:

Bold dates are earlier than reported on 11/15/97; ***Bold Italic*** dates are later than reported on 11/15/97.

*Assessment Not Complete

[1] Justice is reassessing its systems based on recent independent verification findings.

[2] While the Department of Transportation has adopted these dates, the FAA has not.

Mission Critical Systems

	Total Number	Number Compliant	Percent of Total	Number Being Replaced	Number Rep
Agriculture	1319	539	41%	261	
Commerce	470	298	63%	62	
Defense	2915	706	24%	330	
Education	14	5	36%	2	
Energy	370	125	34%	114	
HHS	491	187	38%	113	
HUD	63	25	40%	12	
Interior	95	34	36%	13	
Justice	187	61	33%	16	
Labor	61	13	21%	22	
State	78	26	33%	30	
Transportation	617	140	23%	59	
Treasury	327	72	22%	45	
VA	11	1	9%	0	

	Number of Systems	Assessment Percent Complete	Renovation Percent Complete	Validation Percent Complete	
AID	7	1	14%	2	
EPA	61	40	66%	5	
FEMA	48	28	58%	15	
GSA	58	31	53%	17	
NASA	158	66	42%	8	
NSF	21	7	33%	2	
NRC	7	1	14%	3	
OPM	124	31	25%	12	
SBA	40	10	25%	0	
SSA	308	269	87%	4	
TOTAL	7850	2716	35%	1147	

			Mission Critical Systems Repaired and Being Repaired		
		Number of Systems	Assessment Percent Complete	Renovation Percent Complete	Validation Percent Complete

Agriculture	484	100%	35%	22%
Commerce	148	100%	42%	29%
Defense	1886	99%	53%	16%
Education	7	100%	14%	0%
Energy	139	100%	19%	17%
HHS	232	92%	32%	26%
HUD	35	100%	43%	34%
Interior	67	100%	48%	33%
Justice	115	99%	31%	17%
Labor	27	100%	7%	7%
State	22	100%	18%	14%
Transportation	349	98%	14%	10%
Treasury	248	92%	49%	31%
VA	10	100%	74%	53%
AID	4	100%	25%	25%
EPA	30	100%	63%	60%

FEMA	12	100%	33%	33%
GSA	11	100%	66%	64%
NASA	158	100%	46%	23%
NSF	12	100%	58%	58%
NRC	4	100%	25%	25%
OPM	94	100%	27%	17%
SBA	30	100%	71%	66%
SSA	289	100%	88%	81%
TOTAL	4413	99%	46%	24%

TAB

AGENCY YEAR 2000 COST ESTIMATES

Fiscal Years 1996-2000

(Dollars in Millions, by Fiscal Year)

	1996	1997	1998	1999	
Agriculture	4.4	22.1	58.5	27.0	
Commerce	2.6	12.4	32.9	28.6	

Defense*	20.2	403.9	1058.6	363.9
Education	0.1	1.6	14.8	4.7
Energy	1.6	24.2	42.1	44.3
HHS	9.1	29.8	72.9	50.4
HUD	0.7	6.2	19.4	15.0
Interior	0.2	2.8	10.6	3.0
Justice	1.5	6.9	13.8	4.5
Labor	1.7	5.4	11.6	6.8
State	0.5	47.6	56.4	29.1
Transportation	0.4	12.3	99.8	58.0
Treasury**	8.5	212.9	780.4	388.8
VA	4.0	22.0	71.0	67.0
AID	1.1	3.0	16.7	13.2
EPA	0.8	5.3	13.0	6.1
FEMA	3.8	4.4	3.0	3.2
GSA	0.2	0.8	4.7	0.7

NASA	0.1	6.4	26.1	10.5	
NSF	0.0	0.5	0.8	0.1	
NRC	0.0	2.4	4.0	3.9	
OPM	1.7	2.1	0.3	0.3	
SBA	1.7	3.3	2.7	1.9	
SSA	2.2	15.4	9.5	6.0	
TOTAL	67.2	853.6	2423.6	1137.0	

*Defense total includes $54.5 million not allocated to a specific fiscal year.

**Treasury total includes $2.7 million for FY 2001.

These estimates do not include the Federal share of the costs for State information systems that support Federal programs. For example, the Agriculture total does not include the potential 50 percent in Federal matching funds provided to States by Food and Consumer Services to correct their Year 2000 problems. Similarly, the HHS total does not include the Medicaid baseline costs for the Federal share of state systems. And, while Labor's FY 1998 appropriation includes $200 million for States to correct Year 2000 problems in State unemployment insurance systems, that amount is not included in this estimate.